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JPRS L/8332

13 March 1979

TRANSLATIONS ON NEAR EAST AND NORTH AFRICA  
(FOUO 7/79)

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## TRANSLATIONS ON NEAR EAST AND NORTH AFRICA

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INTER-ARAB AFFAIRS

U.S. UNVEILS NEW MIDEAST STRATEGY IN WAKE OF IRAN EVENTS

Paris AFRIQUE-ASIE in French 19 Feb-4 Mar 79 pp 14-15 LD

[Report by Mousleh Ali: "Washington's New Plan"]

[Text] "Accept the Camp David agreements.... Concentrate on the need to establish regional links between all the countries in the Middle East's 'free world'...and the United States is prepared to give you political and military help in providing concrete protection for your respective regimes...." That is the gist of the message which U.S. Pentagon chief Harold Brown has been told to convey during his tour of the Middle East which began 9 February.

In fact, this is a definite plan which the National Security Council, led by Mr Brzezinski, drew up following events in Iran with a view to reassuring U.S. allies in the Middle East. Because, for several weeks, messages, warnings and statements from many capitals in the region have been continually pouring into the White House, the State Department and the Pentagon: "Are you going to abandon us," the Western proteges ask, "to communist subversion, to control by the Soviet Union and its allies? Why don't you do something? Even Communist China is complaining about your inability to meet the challenge of our common enemies who already dominate Afghanistan, Iran, Iraq, Syria, Libya, South Yemen, Ethiopia and many other countries which control the Indian Ocean and the entrance to the Red Sea...."

From Riyadh to Rabat, from Amman to Tunis, from the Gulf capitals to Khartoum, from Cairo to Tel Aviv the same cry of alarm can be heard, the same demand for "firm and energetic action" to protect and save the pro-Western regimes.

It was precisely a resume of those appeals prepared in memorandum form that Mr Brzezinski submitted to President Jimmy Carter and his colleagues in January along with a plan of action which, he says, will be implemented according to the way in which the U.S. partners reply to his suggestions. According to information obtained from authoritative sources, the broad outlines of the plan are as follows:

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1. Reassure the U.S. allies, especially the Saudi and other friendly governments disturbed by events in Iran, as to Washington's determination to play a vigorous and dynamic role in the region in the future. That role could even include a U.S. military intervention if the survival of threatened regimes were at stake. It is vital that those allies in the region understand that the U.S. "indecision" in Iran cannot be interpreted as a sign of weakness. It should be seen in light of the regional situation and certain assurances which the White House obtained from the Iranian military establishment.
2. For the first time the U.S. Government is now prepared to discuss the possibility of establishing a "certain form of regional cooperation" institutionalized among the pro-Western countries in the region. The form of that cooperation will, of course, depend on the very attitude of the capitals concerned.
3. In exchange the Americans are asking their regional allies not to remain passive and resigned. They must realize that regional defense considerations transcend local tension and conflicts, such as the question of relations with Israel. In other words, countries such as Saudi Arabia and Jordan must stifle their disquiet and even their hostility toward the Camp David agreements because much more than just the Egyptian-Israeli peace treaty is at stake; the very survival of their own regimes is at stake. What is more, a peace treaty with Israel would enable the latter to add its efforts to the "joint enterprise against the Soviet threat."
4. The Americans also want their interlocutors to understand that "the perpetuation of the Arab-Israeli conflict plays into the hands" of the Soviet Union which is trying "to infiltrate further into the region." The threat brandished by certain Saudi leaders of recognizing the USSR and establishing diplomatic relations with that country would only aggravate the risks run by the pro-Western governments.
5. The Saudis should play a greater role in the region in order to neutralize South Yemen and prevent any country "committed to the communist path" from achieving its aims. To that end Washington is prepared to give Riyadh major strategic arms supplies to help San'a'--including tanks and squadron of F-5's. In fact that is an indirect appeal to Riyadh to encourage North Yemen to attack South Yemen.

The memorandum of Mr Brzezinski's plan specifies: "After all, the Saudis have the money, the Egyptians the manpower (the army) and we (and Israel) have the technology...."

How can that "situation" be translated into a mutual defense system? That was the main object of Harold Brown's discussions during his tour of certain Arab capitals. Moreover, Washington points out that this is the first time that a U.S. secretary of defense has visited Egypt, Saudi Arabia, Jordan and Israel. There is a possibility that he will visit other Arab capitals later, especially Rabat and Khartoum.

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NORTH AFRICAN AFFAIRS

MAURITANIAN MOVES POSING PROBLEMS FOR MOROCCO

Paris AFRIQUE-ASIE in French 22 Jan-4Feb 79 p 16

[Article by Faiez Ouldna: "End to Ambiguities?"]

[Text] A few weeks ago the POLISARIO Front alluded to the possibility of reconsidering the cease-fire which it had unilaterally declared shortly after the overthrow of Moktar Ould Daddah. This warning has created, among Mauritani~~ans~~, such a vivid fear that they were unanimous in approving the new government's declared desire to move toward peace.

It is a peace which nevertheless has not gone beyond the stage of proclamations of intent and pious wishes, principally by reason of Moroccan obstinacy in blocking all outlets leading to an equitable solution of the conflict involving the Saharan people's right to self-determination.

"Made sovereignly and without previous consultation with any brother country whatever," as the Mauritanian Minister of Information and Culture specified, Nouakchott's decision to send an important delegation to Algiers to pay a final tribute to the late President Boumedienne thus unquestionably contributed to removing serious misunderstandings which hung over the Ould Saleck government's policy. However, before carrying out this dramatic gesture towards Algiers, with which, the Mauritanian Minister of Information declared, Nouakchott "intends to reestablish friendly and fraternal relations," the numerous areas of shadow which affected Mauritanian policy allowed one to believe that the worst was likely to happen at any time.

The most recent example was the launching of an important wave of repression against the Saharans, in Dakhla in particular. And the parody of the liberation of some fifty prisoners in front of the obliging cameras of a French television channel did nothing to contribute to blotting out its painful memory. Not to mention the last vote in the United Nations when the Mauritani~~ans~~, for once on the same side as Israel, Indonesia and Morocco, voted against a resolution on Western Sahara's right to self-determination.

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There are so many initiatives which are contributing, in the meantime, to giving a quite special appearance to the visit to Algiers by the Mauritanian delegation, presided over by the minister of foreign affairs. This visit, now at last, looks like a true about-face in comparison with Morocco and its hegemonist designs.

In the speech delivered on New Year's, President Ould Saleck was, moreover, as clear as he could be. Addressing the nation, he indeed made a point of emphasizing that "Mauritania will take all measures necessary to finally get out of the war [...] should a total agreement remain infeasible." That is to say--or how else to interpret this last sentence?--even if Morocco refuses to start on the road to a just peace.

"If there is blocking, reticence by one or the other protagonist, Mauritania is determined to settle the Sahara question at its level," reaffirmed President Ould Saleck, who is considering, however, the holding of a referendum in the part of the Sahara controlled by Mauritania if a total solution to the conflict appears impossible.

For the moment, Rabat's only reaction seems to have been the sending of an emissary to Nouakchott in the person of Mr Boucetta, Moroccan Minister of Foreign Affairs. The latter reportedly delivered to Ould Saleck a message from Hassan II containing threats.

This does not seem likely, nevertheless, to change the desire of Moktar Ould Daddah's successor, although he has yet initiated direct and official negotiations with the POLISARIO for the purpose of finally setting the problem which separates them.

As paradoxical as this may seem, in the country there also exists a strong and powerful Moroccan lobby, whose influence is by no means to be disregarded. It has in particular the support of certain Arab monarchs of the Gulf and the monarch of Saudi Arabia.

Riyadh has gone so far as to propose recently in Nouakchott the installation in Western Sahara of a costly electronic array, the "Westmind" system, capable of detecting any human and material presence.

Moreover, one must not rule out the existence of a possible connection between the resignation of the chairman of the Mauritanian mining company SNIM (which may be explained, it is true, by a simple dispute of technocrats within the directing team) and the change of attitude registered by the Ould Saleck government in the Saharan affair. The ousted Mauritanian chairman, Mr Ismael Ould Ammar, is known for having strong friendships in certain Arab oil-producing countries.

Be that as it may, it must be expected that Hassan II is creating new obstacles in the hope of blocking the path followed by President Ould Saleck. The monarch already carried out, let us recall, an important

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resettlement of Moroccan and Mauritanian populations in the territories of the Western Sahara, in anticipation of a "consultation" of the Saharans which the United Nations could recommend.

It is likewise in this perspective that he recently named a Saharan, Mr Khali Hemma Ould Rachid, to the position of Secretary of State for the Ministry of Saharan Affairs. Still in the hope of vitiating a possible international settlement, Hassan II counts a great deal on the support of the OAU president in office, Gasfar el-Numeiry, as well as on the support of countries like Egypt and Zaïre.

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ALGERIA

MOVE INTO POST-BOUMEDIENE ERA EXAMINED

London THE MIDDLE EAST in English Feb 79 pp 44-46

[Text] As Algeria moves into a new era it seems that there will be no major break with the past 13 years of its history. This is the conclusion drawn by Paris correspondent Howard Schissel, who toured the country last month, talking to officials and to the man in the street, and examining the economic situation which is still viewed with confidence by international financial circles.

The death of President Houari Boumedienne has not only cut short the efforts he had made to revitalise Algeria's dormant political life, but also leaves unanswered a host of questions concerning the country's economic future as well as its role in Arab and Third World diplomacy.

Since he ousted President Ahmad Ben Bella in the 1965 "revolutionary resurgence" Colonel Boumedienne - whose real name was Muhammad Boukarouba - had concentrated a large degree of power in his own hands to provide the badly needed political stability for the consolidation of a powerful modern state apparatus and the building of a solid economic infrastructure.

Enjoying wide personal popularity, he left his stamp on Algeria through his austere form of socialism and his militant image on the international scene. The vacuum in Algeria's leadership and the task of finding a suitable successor will be all the more delicate since President Boumedienne had appointed no vice-president, prime minister or defence minister.

Confident in his position but wishing to establish an institutional legitimacy, Boumedienne began a drive for a broader democracy with the debate which surrounded the drafting of the National Charter in 1976. Since then, elections for local assemblies, the National Popular Assembly and the Presidency have opened the way to greater popular participation in the political process.

These measures went hand in hand with efforts to revive the only political party, the National Liberation Front (FLN), which had been left to wither since its only congress in 1964. Boumedienne was known to have considered it as "a body without a soul". In the National Charter the party's eventual role was described as "inspiring, animating and controlling the actions of the state". In private, Algerian officials envisaged it as a potent force to counteract the often stifling weight of a wellentrenched bureaucracy.

Since the FLN lacks statutes and an elected leadership, one of President Boumedienne's trusted advisers, Colonel Muhammad Salah Yahiaoui, was appointed temporary administrative head of the party. During the past year he has been busily rebuilding the pyramid by starting at the bottom. Party representatives were named in all administrative units. Problems often arose on the *wilaya*, *daira* and communal levels concerning prerogatives of administrative and party officials. At the same time Colonel Yahiaoui came increasingly into the political spotlight during the preparatory congresses of the five FLN-affiliated mass organisations - of workers, women, youth, former freedom fighters (Moudjahidine) and peasants - which took place in 1978.

This political process was thrown out of gear by the President's unexpected illness and eventual death. Institutionalisation of

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the regime was delayed as the eight-member Council of the Revolution assumed the country's political leadership and the power to decide the general contours of post-Boumedienne Algeria. After the adoption of the 1976 constitution, the council no longer had any legal existence and was meant to disappear with the second FLN congress, originally scheduled for the beginning of 1979. One of the major lacunae of the constitution is that it does not spell out who would assume the task of running the country in case of the President's temporary incapacity. Thus the council, which had not met for almost two years, stepped into the gap when the head of state fell ill.

The council originated in the 1965 coup, but in the past 15 years most of its 26 members have either retired, gone into exile or died.

The council is now composed of two active military officers, Colonels Abdulla

Belhucet and Chadli Ben Jedid, five members of the present Government, Foreign Minister Abdel-Aziz Bouteflika, Agriculture Minister Tayebi Larbi, Interior Minister Muhammad Abdel-Ghani, Water Resources Minister Ahmad Ben Cherif, Minister of Transport Ahmad Draia, and Muhammad Salah Yahiaoui.

While the Council of the Revolution was deliberating in secrecy, the people of Algiers, other main towns and the rural areas went on with their everyday preoccupations as if nothing unusual had occurred. Nevertheless, Algerians were far from satisfied by the way in which information about Boumedienne's health was treated. Both the Arabic and French-language Government-controlled dailies issued laconic and cryptic medical bulletins which were almost impossible to decipher. For instance, the population first learnt that the President was in a coma when, at the end of November, it was announced that he had temporarily emerged from it.

This lack of reliable information encouraged rumours and caused the wildest speculation to be published in some Arab and Western journals. The result of this unskillful handling of information was that almost everyone tuned in to the already popular foreign radios.

The Council of the Revolution took several measures to reassure the population and bring about a smooth transfer of power. In December it issued a major political

document in which it reaffirmed its fidelity to the line traced by Boumedienne and declared that "the National Charter remains the fundamental basis of the country's political orientation defining the line between the partisans of the revolution and its enemies. The Council of the Revolution represents one of the guarantees for the continuation of the mission confided to the state institutions".

It also appointed Colonel Chadli Ben Jedid, Commander of the Oran Military Region near the Moroccan frontier where most of Algeria's armed forces have been stationed since the start of the Saharan conflict, to act as co-ordinator of defence policy. All signs were that the council had chosen a presidential candidate from its own ranks.

According to the 1976 constitution, when the presidency is left vacant an extraordinary FLN congress must be called to choose a candidate. In this instance, the congress will be just a rubber stamp for the council's decision. During the 45-day interim period, the Chairman of the National Popular Assembly, Rabah Bitat, took over as acting head of state.

Most foreign observers tend to consider that the Council of the Revolution can be divided into two principal parts. The Foreign Minister, Abdel-Aziz Bouteflika, is seen to represent a more liberal line entailing a greater opening to the West, especially France, a more moderate stance in Arab and Third World affairs and diminishing of the state's prerogatives in economic matters. Colonel Yahiaoui is thought to embody a continuation of a doctrinaire socialist line, radical pan-Arab leanings and a militant position on all North-South issues.

In reality Algerian political life is more complex than these explanations suggest. Those taking part include a technocratic elite, military hardliners, conservative Muslims, and a solid core of authentic socialists, and there is a gap between speakers of French and Arabic.

Up to the present the council has given the impression that it favours a form of collective rule based on compromise. All efforts have been directed towards presenting a united front against what one Algerian official described to *The Middle East* as "a plot against the Algerian Revolution". It is now practically a foregone conclusion that the extraordinary FLN congress will approve the creation of the post of vice-president or prime minister, or both. Most Algerian leaders have clearly in mind the strife and political infighting which

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plagued the young republic just after independence and it is highly unlikely that one of them would risk rocking the boat.

Because of factional fighting and perpetual divisions, opposition groups, mainly based abroad, have proved ineffectual in rallying potential internal discontent. Both the Party for Revolutionary Socialism (PRS), led by Muhammad Boudiaf, and the Partisans of Ait Ahmad are discredited in the eyes of the Algerian public by the support they receive from Morocco and their approval of the Moroccan cause in the Saharan conflict.

An internal "bourgeois" opposition under the leadership of Ferhat Abbas and Youssef Ben Khedda formed a so-called 9th of March Movement to denounce the Government's socialist policies, but the influence of this ultra-conservative faction is highly circumscribed.

Likewise the radical left-wing opposition - the Algerian Communist Party, which goes under the name of the Avant-Garde Socialist Party (PAGS) - has allied itself with the regime in hopes of pushing for more progressive reforms. Finally, former president Ben Bella is thought to be popular among the one million Algerians living in Europe, but the possibility of his political comeback is remote.

Still another sign which tends to contradict the harbingers of imminent political disorders is the confidence in Algeria's economic future recently demonstrated by international banking and financial circles. At the beginning of December the national oil and gas company, Sonatrach, was able to announce the granting of almost \$2 billion in loans for its ambitious hydrocarbon development scheme.

Even if major changes on the economic front are improbable, the liberalisation measures started in 1977 are likely to be reinforced. In the formation of the new cabinet in 1977 the all-powerful Ministry of Industry & Energy was divided into three ministries. This was done to lend a greater flexibility to the economic machine, which often suffered from bureaucratic blockages.

Algerian economic planners have been taking stock during the past year; 1978 was declared a transitional year before the presentation of the third four-year plan and is likely to prove to have been a watershed in Algeria's economic life. Algeria's economic strategy has been to rapidly constitute an industrial infrastructure in order to lessen

dependence on foreign suppliers. It was generally felt that Algeria would be able to join the ranks of the developed nations only if its oil and gas resources were rapidly used to create a solid industrial base. In fact the country has enjoyed one of the highest ratios of capital formation to gross domestic product (GDP) with a figure of 44 per cent during the last plan (1973-1977). As for the growth rate, few Third World Countries did better than the 8.5 per cent achieved by the Algerians during the same period.

Although results have generally been remarkable, many sectors of the economy have suffered a form of "benign neglect". After 17 years of enforced austerity, the population has been demanding more consumer goods and improved social services. Few Algerians question the regime's basic policies but expect the fruits of progress to be more equitably distributed. This is especially true of the rural sector. In spite of the agrarian reforms launched in 1971, living conditions in the countryside lag far behind those of the urban centres.

This is a serious obstacle to increasing production, which is necessary if the alarming rural exodus is to be stemmed. Last autumn the Government promulgated a series of measures designed to stimulate production from the private agricultural sector and reduce the country's \$1.1 billion of \$700 million a year for imported food.

With a basic need for the fine tuning of the economy, a consensus appears to exist for the development of socialist measures like the nationalisation of key sectors of the economy, socialist management in the state enterprises, free medical care and agrarian reform. Those foreign observers who are predicting a Sadat-type phenomenon in Algeria are probably taking their wishes for reality, as the essentials of Algeria's economy are firmly rooted.

One of the most pressing foreign-policy issues which the new leadership will have to face is the struggle in the Western Sahara between Polisario guerrillas and Morocco and Mauritania. The hope for peace which the overthrow of Mauritanian President Ould Daddah gave rise to last summer has been lost in a complicated game of international diplomacy. King Hassan and President Ould Saleck have reportedly adopted a wait-and-see attitude hoping that Boumedienne's successor will be more amenable. But an eventual abandoning of Algerian support for Polisario would destroy

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the regime's reputation of being in the vanguard of the liberation struggle.

Boumedienne had been a central actor on the Arab diplomatic scene after President Anwar Sadat's initiatives for peace in the Middle East. Algerian support for the Rejectionist and Steadfastness fronts and for the Palestinian resistance has been unwavering, and this position was reaffirmed at the last Arab summit conference in Baghdad. There is little reason to expect a changed attitude on this issue.

It was perhaps significant that a message of goodwill was sent to President Giscard d'Estaing from the plane carrying the fatally ill head of state back to Algeria from France. After years of intermittent disputes and generally chilly relations, the will to establish a *modus vivendi* is obvious on both sides. Foreign Minister Bouteflika has reiterated the call for improving relations and the new French Foreign Minister, Jean Francois-Poncet, has echoed this call. This Franco-Algerian rapprochement, initiated under President Boumedienne, is highly dependent on the evolution of the situation in the Western Sahara.

Few alterations will be made in Algeria's essentially pragmatic relationship with the

United States. Although the US Energy Department refused the latest request for permission to import Algerian liquefied natural gas, the two countries are tied by a number of long-term gas contracts. The US became Algeria's principal trading partner in 1975 and this trend will continue for the next two decades. Algeria ships more than half its oil and gas to the American market. American diplomatic sources in Algiers told *The Middle East* that Algeria now ranks seventh on the list of Export-Import Bank clients. The Exim Bank's exposure in the country is now about \$1.4 billion and is expected to double in the next few years.

The Soviet Union is a minor trading partner, but has played a central role in furnishing Algeria with the sophisticated armaments it needs. During Boumedienne's stay in Moscow a joint communique was signed underlining "the necessity of the Soviet Union's participation in all stages of a Middle East peace settlement". These relations are likely to continue whatever regime is established in Algeria.

As Algeria moves into the post-Boumedienne era it seems that there will be no break with the past 13 years of its history. C

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ALGERIA

EXPANSION OF MINING ACTIVITY BEING PLANNED

London THE MIDDLE EAST in English Feb 79 pp 80,85,86

[Article by Howard Schissel]

[Text]

After a long period of systematic prospection of the Algerian subsoil and detailed examination of identified deposits, officials of the national mining, prospection and extraction company, Sonarem, believe that a new era is about to start in the country's mining activities. Algeria's vast Saharan wastelands are starting to give indications that their buried wealth is not limited to oil and natural gas.

Exploration efforts have concentrated on the mountainous Hoggar region, east of Tamanrasset, the capital of Algeria's deep south. There is no mineral production there yet but plans are rapidly being formulated to launch mining operations for uranium, wolfram (the source of tungsten) and gold.

Sonarem officials have told *The Middle East* that three potential mining sites for wolfram have already been staked out. The engineering and technical feasibility surveys are being completed and once an official decision has been made production could get under way as early as 1983-84.

The Laoule lode is said to contain between 50,000 and 60,000 tonnes of wolfram

reserves of a promisingly high mineral content and initial production is estimated at around 1,300 tonnes a year.

However, even though the problem of conveying the mineral the 2,000km to the north by lorry has been virtually solved by the opening of the second section of the trans-Saharan highway last summer, the scarcity of water supplies in the Hoggar region is a serious obstacle to mining ventures. Intense efforts are being made to develop mining techniques which employ as little water as possible.

As for uranium, the latest OECD report on world uranium reserves indicates that, at the present state of prospection, Algeria has about 50,000 tonnes of reasonably assured uranium oxide deposits. But Sonarem officials think this estimate is over-cautious, as exploration of the difficult Hoggar terrain has helped to pinpoint additional reserves.

The main deposit is located at the Tingaouine site. Sonarem has contracted for technical feasibility studies with British, US, Canadian, Belgian and West German firms and results have been largely positive, especially with the prospects for continuing high prices for U308.

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The start of uranium operations has been tentatively set for 1984 or 1985, with output expected to be in the neighbourhood of 1,000 tonnes a year of 60-70% yellow cake.

According to Sonarem, Algeria's uranium will primarily be earmarked for export, as the country's energy needs will be fully met by its hydrocarbons production at least until 2010. Thus it is only at the beginning of the next century that a decision could be made to build a series of nuclear power plants, which would naturally be supplied by local production.

Sonarem is also going ahead with a scheme to set up two pilot plants this year to experiment with various "dry" methods of treating gold-bearing ores at Tirmine. At the same time, groups of company geologists and technicians will be scouring the Hoggar in the hope of being able to delineate zones likely to contain cobalt and manganese. At present, Algeria's existing mineral production includes about 3.2mn tonnes a year of iron ore from mines located in the north-east at Ouenza and Tebessa, which serve the modern El-Hadjer steelworks near Anaba. But it is hoped to boost iron ore production to approximately 5mn tonnes by 1980 in order to meet the soaring demand occasioned by the extension of this industrial complex. And even so, Algeria will still be obliged to import ore from Guinea-Conakry to supply a smaller steel producing unit at Jijel.

This is why eyes are now turned to the extreme south-

west corner of the country, near the border with the Western Sahara and Mauritania, where reputedly vast iron ore reserves await exploitation. The Gara Djibilet reserves, near the town of Tindouf, are put at about 1bn tonnes of medium-grade (50-60%) iron ore.

Open-cast mining techniques will be used to work this site and here too the problem of adapting a water-saving mining method is one of the principal barriers to getting a profitable operation under way. In fact, Gara Djibilet is located in a zone which the Moroccans have claimed to be part of their territory and an agreement was signed by the late President, Houari Boumedienne, and King Hassan of Morocco in 1971 on joint exploitation of these iron ore reserves. Now, however, the Algerian Government seems to have abandoned such co-operation notions because of the bitter conflict in the Western Sahara.

During the second half of 1978, the Government signed a \$33mn contract with the Canadian subsidiary of Bechtel Corporation to study ways and means of expanding Algeria's steel production using ore from Gara Djibilet. A Japanese firm has won a similar contract with the state steel company, SNS. The Soviet Union will carry out preliminary technical studies for installing mining and industrial equipment.

The new steel-producing units are scheduled for installation at La Macta on the north-east coast near Oran, but this depends on the construction

of a 1,700km railway from Gara Djibilet to the Mediterranean. The investment outlay is considerable and Algerian planners, who are putting greater emphasis on light consumer industries and social services, may want to take a second look at this project.

Sonarem officials, however, tend to discount the need for a reappraisal, saying that "professional sceptics said Algeria would never be able to build the trans-Sahara highway." They stress that the planned railway is important for opening up the south-western part of the country, where other forms of economic activity can be encouraged.

For example, they point out that 1mn tonnes a year of coal for the La Macta project could be produced at a promising site near the oasis of Bechar which is along the railway's planned route. But a further 9mn tonnes of coal would still have to be imported to fully supply the La Macta works.

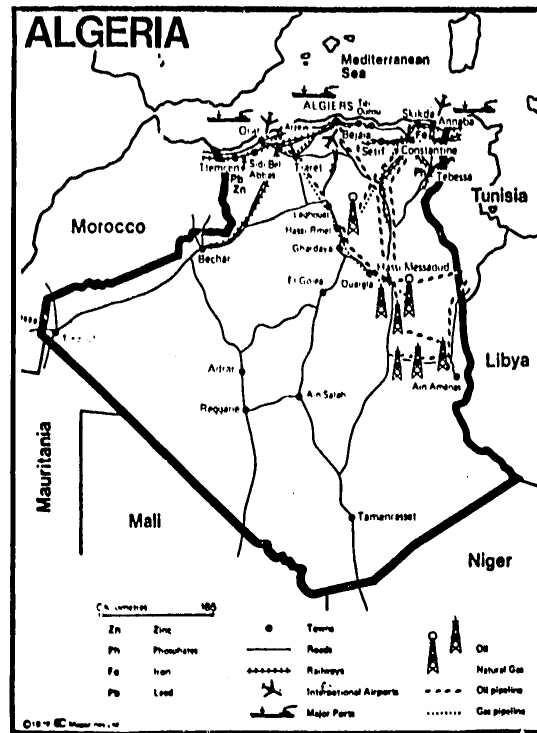
About 200km north-east of Gara Djibilet another enormously promising iron ore site, known as the Mecheri lode, contains some 2bn tonnes of reasonably assured reserves.

So the stakes are high as Algerian economic planners elaborate the new long-term economic strategy. Export of the mineral is certainly feasible, but the natural port for such an operation would be al-Ayoun in the Western Sahara. This scheme is dependent on a highly problematic regional co-operation and appears remote as the Sahara war continues.

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Mineral exploration now focusses on deep south



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IRAQ

## TRADE PARTNERS TO BE THOSE ON 'GOOD TERMS' WITH IRAQ

London THE MIDDLE EAST in English Feb 79 pp 107-108

[Text]

In the early years after the explosion in oil revenues, foreign observers noted the increase in Iraqi trade with countries like West Germany and the US and nodded knowingly. "Iraq," they said, "is not interested in politics when it comes to trade." Now those observers have been proved wrong.

Directives issued to Iraqi purchasing authorities during the course of last year specifically warned against trade with Britain and West Germany on the one hand, while, on the other, Vice-President Saddam Hussain made public affirmations of his country's special economic and political relationship with France. As a result it has become clear to foreign traders that there is more to Iraqi purchasing policy than the mere comparison of competitive bids — although not many Iraqis are prepared to say what the criteria are.

One person able to pinpoint those criteria most authoritatively is Farouq al-Obaidi, Director-General of Economic Relations at the Ministry of Trade.

Basically, the aim is to promote dealings with those countries that are on "good terms" with Iraq, whether because they see eye to eye on the Palestinian cause or international issues or because they try to maintain a healthy balance of bilateral trade by buying reasonable quantities of Iraqi oil.

As for political likemindedness, Iraqi spokesmen make no bones about where they stand. France, they say, recognises Iraq's status and potential. A Ministry of Infor-

mation official said, "We need their expertise and they need us. They understood our political position before any other European country and we remember with gratitude the stand taken by Presidents de Gaulle and Pompidou on the Arab cause. We buy from France not out of love or affection for French technology — we could get that from West Germany, Britain or Japan. But we want to maintain a good relationship with the French, and it is the same for them."

The Scandinavian countries fall into a similar category. "We prefer them," an Oil Ministry spokesman said, "because they don't belong to blocs". For some Nordic countries, such as Norway — itself an oil producer — the scope for two-way trade is rather limited, but Iraq has nonetheless expressed some interest in, for example, Norwegian computer facilities.

Finland, on the other hand, is reportedly starting to buy Iraqi oil on a significant scale and is regarded as a highly suitable candidate for co-operation. "Finland is neutral," Obaidi explained, "and we favour small industrialised countries with high technology."

Such favouritism manifests itself, Obaidi confirmed, in the deliberate choice of a contractor from a friendly country whether or not that contractor has made the lowest bid.

Apart from the US, which still has no diplomatic relations with Iraq and is known for its pro-Israeli stand, two countries —

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Britain and West Germany --- have recently been discriminated against.

In Britain's case the boycott followed incidents involving diplomats in London and Baghdad, and many British businessmen are known to be as annoyed as the Iraqis by the attitude taken by Foreign Secretary David Owen on this score. A more conciliatory stance, they say, could have saved contracts and precious jobs.

There are ways around the boycott, as one British firm specialising in oil refineries has found, since there is nothing yet which prevents them from supplying goods to Technoexport of Czechoslovakia, which is building a big refinery at Baiji. But the repercussions on Britain's overall export performance are bound to be seen in the figures for 1978 trade, especially since the feeling in Baghdad is that the British Government has been even less accommodating than West Germany.

Iraq recognises, for example, that the Bonn Government (which it blames for keeping oil imports to a minimum) is not strictly in a position to control the contracts of West German oil companies. Oil Ministry officials likewise point out that these contracts cannot be said to be based on an attempt to avoid dependence on Arab oil, since West Germany imports large quantities of crude from Libya and Saudi Arabia.

These officials also admit that Bonn's argument centres on the nature of West German refineries, which are said to be geared to light, low-sulphur crudes. And they agree that there has, anyway, been a slight change in Bonn's position. But, they warn, there is a need for more "goodwill". Significantly, "goodwill" seems to be all that is required, as Iraqis say they are not seeking a trade balance; a trade ratio of 4:3 or 2:1 would be enough.

Japan, for example, failed to take the amount of oil agreed upon under a bilateral technology-for-oil deal reached with Iraq in 1974, but it has amply compensated for that by extending a \$2 billion line of credit to help towards the financing of a Japanese-built fertiliser complex in Khor al-Zubair and other projects.

Iraq appreciates this. Why, the argument continues, should Iraq give a project contract to West Germany which has no liquidity problems, rather than to Italy or

Spain which do? Moreover, since Italy and Spain incur their deficits partly as a result of buying Iraqi oil, it is "only fair" that Iraq should give these countries the means to get the funds to buy the oil.

According to Obaidi, the application of this logic means that West Germany, from being the country's top supplier in 1976 and 1977, fell to third or fourth place in 1978, ceding the top positions to France and Italy.

Despite the political criteria, however, the price of imported goods and technology remains a serious issue in Iraqi eyes. There is a growing feeling in Government circles that prices are a weapon used by the industrialised world to prevent the developing countries from developing.

Sabah Kachachi, Director-General at the Planning Ministry, considers that the developing countries -- of which Iraq is one -- are being simultaneously over-charged and short-changed for the present so-called transfer of technology, in the sense that the technology was developed while the industrialised countries were benefiting from cheap raw materials from the Third World and in the sense that it is transferred piecemeal in such a way that the developing countries are forced to keep coming back.

Kachachi foresees that the technology issue could become a major point of conflict between the industrialised and developing worlds in the 1980s. In his opinion the only way to close the technology gap is to overcome the notion of technology transfer as being a "sunray" type of arrangement between Third World states and the industrialised world. This "sunray" relationship has to be replaced by more co-operation between developing countries themselves.

Iraq for one has made some steps in this direction in promoting its technical co-operation with such countries as India and Brazil, both of which have won contracts, for example, for building railway lines in Iraq.

But it is recognised in Baghdad that these are the so-called threshold countries which are already well on the road to industrialisation. Trade with other less-developed countries has so far remained on the level of raw materials and simple consumer goods. □

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IRAQ

# PLANNING MINISTRY WORKS TO FILL MANPOWER GAP

London THE MIDDLE EAST in English Feb 79 pp 110-112

[Text]

Iraq must be one of very few countries in the world which have a smaller population now than they had centuries ago. Planning experts in Baghdad make much of the irony that the Mesopotamia valley, which may have supported up to 40 million people in the distant past, cannot feed the 12 million inhabitants it has today. Now, despite the fact that there is not enough food to go round, Iraq is in need of a bigger work force.

The existing labour force, accounting for approximately one quarter of the population, has increased by over 30 per cent since the present Government came to power a decade ago, but is still inadequate both quantitatively and qualitatively for the country's development targets. Government representatives admit this freely.

"We need at least 10,000 more farmers," the Minister of Labour & Social Affairs, Bakr Mahmoud Rasoul, told *The Middle East*. Iraq has already encouraged the settlement of several hundred Egyptian farmers, but it will have to carry on an intensive recruitment campaign if the 14 major agricultural projects now under way are to succeed.

In industry the situation is the same. Yet behind the need to match skills and jobs lies a refined sense of priorities. "Why," asked Sabah Kachachi of the Planning Ministry, "should I industrialise at all if I have to rely on foreign experts. If I am going to bring Americans, Britons or Koreans to run my industrial plants I might just as well invest my money abroad rather than spending it on development here."

In Baathist-ruled Iraq the term "foreigner" does not apply to non-Iraqi

Arabs, who are therefore the prime target of the short-term programme set up to plug the manpower gap. A law issued in 1975 invited all highly qualified Arabs to come to Iraq and provide their skills in return for high salaries, cheap loans and mortgages and customs exemptions for the import of personal effects.

According to Labour Minister Rasoul that law, which applied to both the private and public sectors, represented allowances worth around ID40,000 for every individual who took advantage of them.

And, in striking contrast to certain other Arab countries in the Gulf, the Iraqi authorities seem to attach little importance to the size of the non-Iraqi Arab labour force inside the country, saying only that it runs into hundreds of thousands and that it will continue to increase.

As for Iraqis themselves, the Government is naturally anxious to attract back as many as is feasible, but it is recognised that it would be neither practicable nor beneficial to bring about the return of everyone. "What could I do with a very sophisticated scientist?" Kachachi asked. "I can't send him off to the nearest factory. He might be more help to the country from abroad, and I don't mean in terms of monetary assistance."

The feeling is that Iraqi expatriates in the West can help in the training of Iraqis.

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advising foreign contractors and generally oiling the wheels of the international development process.

But material advantages for Arabs settling in Iraq are only one aspect of a many-faceted programme; another facet consists of long-term measures to upgrade the existing work force and increase the size of the indigenous population.

Supporting the education, training and recruitment programmes are the policies geared to increasing and redistributing the population. According to 1977 statistics, the population growth rate is already remarkably high, at 3.2 per cent, but, as the infant mortality rate of nearly 8.9 per cent suggests, better health care combined with the impact of the ID2 monthly child allowances could push this growth rate higher still.

At the same time there is a need to stem the rural exodus and encourage workers to gravitate towards some of the big hydro-electric and irrigation projects in the north and industrial projects in the south. At present some of Iraq's extreme southern governorates, such as Muthanna, and those in the western desert area, such as Kerbala and Anbar, have a population density as low as 4 or 5 for every square kilometre.

On the whole, the emphasis hitherto has been on relocating people in the south. After the 1975 border agreement with Iran and the amnesty for the 30,000 Kurdish rebels who had crossed the border into Iran, many of the 20,000 or so Kurds who returned spent a couple of years in the southern governorates - partly because the northern economy was not geared to accommodating them and partly because it was politically expedient to keep them away from the old centres of rebellion.

Independent observers say this arrangement has now ended and the Kurds have gone back home. Movement from one part of the country to another is now said to be voluntary for all Iraqis - although new graduates at least are expected to put in

their first years of service in the provinces.

The fact remains, however, that industrial workers are better paid than their agricultural counterparts. Official figures put the industrial worker's basic wage at ID677 a year (compared with ID250 in 1968), whereas the lowest-paid agricultural labourer earns a basic ID360 - this being the minimum wage agreed upon by the Government and the unions in 1978. In addition, workers recruited to far-off industrial sites are given an extra ID0.50 a day as a relocation allowance.

And, as local people point out, wages are going up while the prices of certain types of produce are actually going down. Meat may be more expensive now than a few years ago, but, with the acquisition of modern trawlers and the coming into operation of large-scale farming projects, fish and some vegetables are getting cheaper. Likewise rents, which have been through a bad patch since 1974, have now peaked and are being brought under government control.

Some questions remain, of course, such as questions about the future of the Egyptian workers inside Iraq in the event of Egypt's President Sadat signing a peace treaty with Israel. Iraqi Government spokesmen are adamant that they make a distinction between Sadat and his people and that Egyptians are just as welcome now, if not more so, than before. □

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FOCUS TO BE ON HEAVY INDUSTRY

London THE MIDDLE EAST in English Feb 79 pp 108-110

[Text]

As far as Iraqi planners are concerned, there is very little choice involved in the establishment of a domestic industrial sector. Iraq is obliged by its natural resources not only to industrialise but to go in for certain types of heavy industry, while at the same time taking care to see that the industrial and agricultural sectors complement each other.

"We don't want industrialisation for its own sake," Sabah Kachachi, Director-General at the Planning Ministry, said. "We in Iraq have a two-legged resource - hydrocarbons and agriculture. Both legs have to develop side by side, with industrial development centred on oil and gas."

Saadoun Qassab, Director of Follow-up at the Ministry of Industry, made a similar point. "We had to aim to enter heavy industry, taking into consideration our oil and gas reserves. We had to go in for things like petrochemicals, fertilisers and steel."

It is precisely these three industries, together with cement manufacture, which

dominate industrial activity in Iraq today. Work on the \$1,100 million petrochemical plant being built by C. E. Lummus of the US and Thyssen Rheinstahl Technik of West Germany in Basra has been under way since mid-1977 and completion is now scheduled for 1981. Studies are already being carried out for further stages of the project, which will be started during the next five-year plan.

With fertilisers, too, it is "all systems go", since fertiliser production in the entire Arab world at present meets no more than 20-30 per cent of total Arab demand. Demand anyway is restricted because of the non-availability of the product - which means that the more Arab fertilisers are produced the more will be consumed. With this in mind Iraq has two nitrogenous fertiliser and urea plants in operation in Basra and three more under construction at Khor al-Zubair. One of these is due for completion during the first quarter of this year.

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There is also the \$825 million phosphatic fertilisers plant being built by Sybetra of Belgium at Al-Qaim near the Syrian border in the north. Phosphate mines to serve the plant are likewise being developed by Sybetra at Akanhat under a separate contract worth \$115 million.

The whole phosphate project is so ambitious and complex that it has been organised into six sectors, including everything from basic mining to erection of permanent housing for site employees and construction of access roads, and co-ordination of all component parts is proving quite demanding. Nevertheless, initial stages are expected to go into operation in early 1980 and arrangements are being made to carry the first loads of phosphate by truck if the purpose-built railway line is not ready on time.

As for steel production, Creusot-Loire of France has undertaken the construction of an iron and steel complex at Khor al-Zubair and this is sufficiently advanced for the Trade Ministry to be thinking of reaching some form of barter arrangement in which it would exchange the sponge iron Iraq is now producing for the pellets it is still having to import from Brazil.

Cement production, too, is forging ahead, two additional factories having opened last year. By July 1978 design capacity in the cement industry had reached around 6.9 million tons, bringing it up to the level of local demand and enabling Iraq to dispense with cement imports for the first time for several years. The aim is to have sufficient supplies to provide a reserve and an export surplus as well by 1980.

Meanwhile, the sense of inevitability that surrounds Iraq's industrial plans also provides the Government with the arguments to outface potential industrial competition from the West.

Asked whether they would go ahead with installing export capacity in the major industries despite warnings from Europe that this will create a surplus, the planners are unanimous in bouncing the ball back into Europe's court.

"The present system whereby oil is produced here, goes thousands of miles to be refined and then comes back here again, is

ridiculous," an oil official said. Kachachi endorsed the point. "If there is surplus capacity in petrochemicals then I think Europe had better watch out. That's their problem," he said.

Iraq has already said it agrees in principle with the warning made by Kuwaiti Oil Minister Shaikh Ali Khalifa al-Sabah to the effect that crude oil sales may one day have to be made conditional on sales of petrochemicals and crude oil marketing might be the only way of selling petrochemicals, an Oil Ministry source confirmed.

But, the same source intimated to *The Middle East*, petrochemicals are a sensitive issue even among the Arab oil producers. It seems that "some countries" (a euphemism for Saudi Arabia) were reluctant even to attend the seminar on downstream activities held by OPEC in Vienna last October.

Unlike these "countries", Iraq professes itself extremely anxious to co-ordinate Arab industrial plans at all levels. It has even postponed a major project to build an aluminium smelter because of the danger of duplication within the Arab world.

"We finished the studies for the aluminium smelter almost two years ago," Qasab said, "but we revised our plans because by then some of our brothers had entered the same field. You see we are trying to take others' plans into account even if they don't do the same for us."

Qasab believes that those "brothers" who fail to co-ordinate at present do not do so intentionally, but because they lack the necessary skills, market information and experience. Already Syria and Iraq are hoping to work together on their 1980-85 development plans and, "Who knows?", Qasab said, "perhaps in 10 years we shall have an inter-Arab plan." □

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IRAQ

# TRANSPORT PLANNERS DIVERSIFY TRADE ROUTES

London THE MIDDLE EAST in English Feb 79 pp 112, 117

[Text]

Iraq's emergence from political isolation over the past three or four years is gradually being reflected in the development of the transport network.

In 1976 Iraq reached a border agreement with Iran, established diplomatic relations with Oman, set in train border settlements with Saudi Arabia and Kuwait and negotiated a transit agreement with Jordan under which it would have the right to bring goods through Jordan's port of Aqaba.

More recently, in a swift reaction to the Camp David agreement reached between Egypt and Israel, Iraq and Syria were reconciled after more than 10 years of bitter feuding — feuding which had culminated on occasion in the closing of borders to goods in transit and of air space to civilian traffic.

Now, as a result of all these peace moves, Baghdad should soon find itself at the centre of a series of roads and railways converging in from the Red Sea, the Mediterranean, the Gulf and the Soviet Union via Iran. In fact, Iraq's numerous neighbours have now become a boon.

The strategic advantages of having more than one route to the Mediterranean were clearest during what is now referred to as the period of "differences" with Syria. When, at the beginning of 1978, Syria blocked transit goods bound for Iraq, Iraq was able to rely instead on a road and rail link via Turkey, or bring the goods direct to Basra by sea.

"When Syria first blocked the route we had 85,000 tons of goods piled up out of reach," Transport Minister Mukarram al-Talabani told *The Middle East*. "But, on the whole, the blockage didn't worry us very much."

Iraq was also able to rely on its oil pipeline through Turkey as an alternative to the one through Syria to the Mediterranean port of Baniyas, although in this case a long wait was involved since pumping through the Syrian line stopped in April 1976 and oil deliveries to Dorytol from the newly-constructed Turkish line did not start until May the following year.

Iraq starts 1979, however, with both routes operational again. Agreement has been reached with Ankara to the effect that Turkey will pay for its oil in cash and kind, and oil is flowing from Kirkuk to Dorytol at a rate that could eventually rise to 35 million tons a year. As for the Syrian pipeline, pumping is believed to have resumed in late December. And, despite the fact that operations were halted back in 1976 ostensibly because of a dispute over royalties and oil prices, Oil Minister Tayeh Abdel-Karim maintains there are now "no serious obstacles" to continued pumping through this line.

In addition to these two pipelines, Iraq has a third, which is actually called the "Strategic Pipeline." This facility, with a capacity of up to 48 million tons a year, carries oil from the north to south, or vice versa, as required.

The projects now under way or under consideration for roads and railways linking Iraq with neighbouring states suggest that, just as with the pipelines, the Government intends to keep all its options open. For the moment, however, the emphasis seems to be on rail links, as these are considered more economical than roads — the one important exception being the highway linking Jordan

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and Iraq, which is being built as part of the two countries' transit agreement and is being financed by an interest-free Iraqi loan.

One of Iraq's biggest rail projects, the 550-kilometre Baghdad-Hussaiba line which will link up with Deir al-Zor in Syria, is getting under way this year, with construction being carried out by Mendes Junior of Brazil under a contract worth \$1,200 million.

The awarding of the contract for this long-discussed project coincided with the thaw in relations between Damascus and Baghdad, but, according to Talabani, work would have gone ahead anyway because the railway line (which will pass through Al-Qaim with a 155-kilometre spur from Al-Qaim to Akashat) forms a crucial part of the huge phosphate mining and processing facilities under construction at these sites.

Beyond its local significance, the Baghdad-Hussaiba stretch — with an overall capacity of 5 million tons a year, possibly to be doubled later — will also complete a route that runs all the way from the Mediterranean to the Gulf, serving outlets in Kuwait and Saudi Arabia if necessary. Iraq is ready to assume the transit role and has signed the requisite agreements with both southern neighbours. In the Iraqi view, such pan-Arab link-ups are a sign of things to come. Eventually, Talabani predicted, "all Arab countries will be linked".

Syria and Iraq, are already working towards this with draft bilateral agreements intended to eliminate transit fees and establish a joint transport organisation.

Despite the new friendship with Syria, however, Iraq has by no means abandoned the plans it had in mind for a direct railway from Mosul to Turkey, bypassing Syria altogether. This project, born of the Syria-Iraq dispute, is still only at the preliminary studies stage, but, Talabani confirmed, it will probably go ahead "because Iraq needs different routes".

In addition, in the next five-year plan due to start after 1980, the Baghdad-Kirkuk railway line is to be modernised and extended to Mosul and Sulaimaniya so as to link up with the Iranian system. This will facilitate the passage of goods from the USSR and Eastern Europe, while at the same time giving Iran better access to the Mediterranean.

Other long-term rail plans inside Iraq included a direct line running east of the Tigris, between Basra and Mosul, and a network providing separate freight and passenger links between Baghdad and nearby towns.

Indeed, the question of how best to shift goods inside the country continues to feature prominently in transport plans. It is expected that by 1980 total imports into Iraq will amount to some 17 million tons, of which 10 million tons will enter via the ports of Basra and Ummi Qasr. At present these ports have a total combined capacity of only 6 million tons.

The need to distribute this amount of freight once it has reached the Iraqi border is one reason for the extensive plans now under consideration to exploit the country's many waterways for transport purposes.

Such water transport is not a new phenomenon, but it has become impracticable over this century because of the silting up of rivers and canals. Getting the Tigris navigable all year round, for example, involves construction of two dams and dredging of the river bed. But the Government means to get on with the work as a means of diversifying the transport network still further. □

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IRAQ

# FOOD SEEN AS FUTURE DEFENSE WEAPON

London THE MIDDLE EAST in English Feb 79 pp 117-118

[Text] Despite the vast amounts of money now being invested in industrial development in Iraq, it is ultimately the agricultural sector which gets top priority in the country's long-term development plans, for political as well as economic reasons.

The economic reasons for this order of priorities are numerous. The agricultural sector is possibly the one that has stayed the most under-developed in the past and yet it employs about 45 per cent of the population. At the same time the potential for food production, as shown by the country's centuries-old agricultural tradition, is huge.

At the moment only one quarter of the total cultivable area is being exploited and in much of this antiquated and inefficient farming methods are used. "Horizontal" expansion in the amount of land under cultivation and the water resources tapped, together with "vertical" improvements in productivity through application of new technology, could bring inestimable increases in output.

The aim is to use these increases to transform Iraq into a substantial food exporter, with these exports destined first and foremost for the Gulf area, other neighbouring Arab countries and what Iraqi officials call "some of our friends". This is where the political motives come in.

"We honestly believe that, in the next century or maybe sooner, food will be more of a strategic product than oil is today," *The Middle East* was repeatedly told. "In fact the pressure is already being felt. Food is already being used as a strategic commodity in trading with developing countries."

The problem for Iraq, as for all developing countries, is that agricultural expansion is a notoriously slow process.

Thus, during the first two years of the 1976-80 development plan, while industrialists were spending beyond their budget, agricultural planners were able to use up only 60 per cent of theirs. As a result special efforts were made during 1978 to regain the balance, with implementation of initial industrial targets reaching an estimated 80 per cent, to give the farming sector time to catch up.

An additional problem facing farmers in Iraq is that of soil salinity, which spread with the increased but unscientific use of irrigation earlier this century. This means that large areas of once fertile but now salty terrain have to be flushed, drained and virtually reclaimed before they can be satisfactorily exploited.

Several major projects designed to harness the country's abundant water resources are now under way. One of these represents an advanced stage in the complex Wadi Tharthar scheme, which involves the construction of canals linking the Tigris and Euphrates via the Tharthar depression.

The first stage dates back to 1956, when the Samara barrage was completed and saline Tigris waters were first diverted to the Wadi Tharthar. Then, after particularly damaging floods in 1967-68, work started on increasing the capacity of that reservoir, as a consequence of which facilities were needed for emptying out the water in the depression.

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This was achieved with the construction of a 37-kilometre canal stretching westwards to the Euphrates - a project completed, with Soviet technical assistance, in 1976. This is of particular importance because it supplements the level of the Euphrates river, which is otherwise inclined to drop dangerously low, seriously threatening crops along the route.

When Syria started filling the reservoir behind the Tabqa dam on the Euphrates in 1974-75, soon after the Turks had completed their own Keban dam (also on the Euphrates), the water level dropped to such an extent that Iraq complained bitterly of drought and crop damage. Now, thanks to the new canal and agreements between the three riparian states, these problems are resolved and neither Syrians nor Iraqis expect them to recur for 10 to 15 years.

For the time being, therefore, Iraq is concentrating again on the Tigris and work is in progress on a 65-kilometre canal, at right angles to the old one, designed to replace water in the Tigris at the low season. And, as in the past, Soviet technicians are co-operating with local contractors.

Other priority irrigation schemes already under way are at Kirkuk, Hilla and Hindiya, and a major 250,000-hectare drainage and irrigation network at Amara in the south is under study, with the aim of facilitating cultivation of rice and wheat.

Clearly, the aim of the current five-year plan cannot be agricultural self-sufficiency, since it will take at least until the end of the century to eliminate the salinity problem. But it is hoped that, by the end of the next

development plan in 1985, an additional 14 million "misharas" (1 mishara = 0.25 hectares) will have been brought under irrigation.

This in turn should make a significant impact on cereal yields, which reached a record high level in 1972 but have not regained it since. Similarly it should help to reduce the national food import bill, which, according to the 1978 World Bank Development Report, still accounts for roughly 18 per cent of total expenditure on imports.

At present Iraq is the world's biggest exporter of one nutritious food product, namely dates. These have traditionally been the country's biggest export after oil. But within the next decade Iraq aims to regain its former status as an exporter of grains, so as to play a decisive role on the side of the developing world in any future "food war". □

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IRAQ

# STRICT OIL POLICIES FORMULATED FOR MINIMUM WASTE

London THE MIDDLE EAST in English Feb 79 pp 106-107

[Text]

The four-stage 14.5 per cent oil price increase introduced this year as a result of the OPEC agreement reached in Abu Dhabi is in many ways a victory for Iraq. Iraqi Oil Minister Tayeh Abdel-Karim has been a tireless and outspoken advocate of a substantial price increase on the grounds that industrial goods increased in price by 260 per cent in the period 1976-78 while oil prices rose by only 17 per cent.

More important, the Abu Dhabi agreement was apparently reached without threats or any major confrontation between the so-called "moderates" within OPEC, led by Saudi Arabia, and the so-called "hawks", led by Algeria and Iraq. This was partly attributable to greater flexibility on Saudi Arabia's part and to the *de facto* price increases caused by the loss of production in Iran. But it should also be recognised that Iraq and Algeria were both clearly aware of the need for OPEC unity and were prepared to make certain concessions in order to see this unity preserved.

When Abdel-Karim spoke to *The Middle East* a few days before the Abu Dhabi meeting he refused to specify a minimum price increase that he would find acceptable, because, he said, the important thing was not only to compensate for lost purchasing power but also to achieve "unanimous agreement" between the oil-exporting countries and to maintain OPEC unity.

The reason for this determination to keep OPEC in one piece seems to lie in Iraq's perception of the close link between world

oil prices and production - a link that means that if OPEC output is sufficiently co-ordinated prices will more or less look after themselves.

Such a system of inter-OPEC production programming would, in Iraq's estimation, provide OPEC with the muscle to beat the oil consumers' club, the International Energy Agency, at its own game of oil stockpiling and emergency oil-sharing schemes, since tight supplies and high prices are the surest antidote to building stockpiles.

But, at the same time, it would also provide the international back-up for Iraq's own production policy, which has at present to be based not only on its development plans and financial obligations to other developing countries but also on the price of oil. Iraqi oilmen say that, if the element of market instability were removed, they would be prepared to stick to an OPEC-imposed production limit, so long as this was fixed in keeping with their needs.

For, as they stress, Iraq is just as anxious not to over produce as it is to keep its oil revenues up to target. There is complete agreement on the undesirability of a financial surplus. "We do not intend to have any of our oil money invested abroad" and "We're not going to produce oil just to put the money in Western banks" are two of the most frequently repeated statements in Iraqi oil and planning circles.

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This is not to say that Iraq has forfeited any flexibility in terms of the amount of oil it can produce. On the contrary, the margin of choice is as much as 100 million tons a year. Production in 1977, for example, reached 115 million tons, worth \$9,600 million, and latest figures suggest that output in 1978 was around the same level. But present production capacity is approaching 200 million tons, or twice as much as the minimum acceptable annual level, which, according to Oil Minister Abdel-Karim, stands at 100 million tons.

Iraq's oil output could therefore increase fairly rapidly if need be, and the fact that the need might arise one day is suggested by the Baghdad Government's earlier recourse to a \$500 million Eurodollar borrowing and the \$2,000 million line of credit it has agreed with Japan. It is clear that the maximum absorbable level of oil revenues has not yet been reached and, interestingly, neither has the upper production limit dictated by the interests of oil conservation.

Quite where that upper limit lies, however, is not yet clear since the exact extent of Iraq's reportedly vast oil reserves is not yet known. As Abdel-Karim put it to *The Middle East*, "Every day we get a new figure. I can say that since the revolution in 1968 our reserves have doubled. But I can't say how big they are because it's possible the figure we had in 1968 was incorrect."

In fact, that dubious 1968 figure was 35,000 million barrels, which doubled would give Iraq the fourth highest reserves in the world, placing it behind Saudi Arabia, the USSR and Norway.

But the actual size could be higher still. In 1975 it was hinted in Baghdad that Iraq had the second-largest oil reserves in the world. Today that distinction is expressed somewhat differently. The saying now goes that, of the last two barrels of oil lifted anywhere in the world, one will be from Iraq.

And, even though a minimum 50-year life expectancy for the oil reserves compares very favourably with that of neighbouring Iran, or Algeria, Iraq is taking no chances.

"I sometimes wonder what future generations will think of the way we in the developing countries have been handing our raw materials over to the industrialised countries for next to nothing," an Oil Ministry official said. "I really think they will be scandalised." Similar feelings were echoed by a planning expert. "We know the oil resources are non-replenishable. We can

differ on their duration but sooner or later they will dry up. And before they dry up we want to create a model society for our people. They deserve a chance. If they can't have that chance when we can afford it, when are they going to have it?"

There is a similar desire to make maximum possible use of the associated gas that is produced with the oil and which, in the past, was always flared. At the moment 85 per cent of the gas is still being burned off, but it is hoped that the coming on stream of the petrochemicals plant in about 1981 will reduce this to less than 25 per cent, despite the fact that overall oil production should have increased by then.

The exploitation of this gas is seen almost as a moral issue. "We always blamed the international oil companies for burning it," the planning expert said. "Now we have no one to blame but ourselves."

With this rigid set of criteria governing oil production, Iraq is understandably loth to tolerate the vagaries of the oil market and the ill effects of the shaky dollar for much longer - which is why Abdel-Karim has been pressing not only for production programming and higher prices but for indexation of oil prices to the price of industrial goods and for non-dollar pricing as well.

Moreover, the Minister will continue to push for a pricing unit other than the dollar in spite of US President Carter's dollar stabilisation measures. "The stabilisation measures are a manoeuvre," he told *The Middle East*. "We have grown accustomed to the US doing such things before every important OPEC meeting so as to influence our decisions and keep the dollar as the unit of calculation. We wish the US leaders were serious. But we don't think they are."

Nevertheless the feeling in the Oil Ministry is that there is some ground for confidence on oil prices between now and the next energy crisis, which the Oil Minister himself foresees happening sometime after 1985. Oil aides do not expect the market to be flooded with oil from new sources; on the contrary, they argue that one very good reason for raising oil prices is to bring other energy sources on stream.

As for Mexico, which is said by some reports to have more oil than even Saudi Arabia, Iraqi spokesmen write those reports off as yet another campaign to frighten OPEC into compliance with the West. They ask (with the same reserve they apply to the question of Iraq's own oil reserves), "how can the Mexicans be so sure?" □

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JORDAN

NEW TACTICS TRIED IN WAR OF PRICES

London THE MIDDLE EAST in English Feb 78 p 88

[Article by Ian Kellas]

[Text]

The Jordanian Ministry of Supply has allocated about JD11mn for an unusual project to make cheap bread on a massive scale as just one of the Government's more visible attempts to cut inflation.

At present, inflation in Jordan is running at something like 15% and the consensus of opinion seems to be that the rate is coming down. The old Amman cost of living index was hastily abandoned by the Government last year after coming up with a rate of 33%.

But double digit inflation still represents a threat. It cuts into Jordan's competitiveness as an industrial exporter and brings with it serious discontent, especially among the low-paid government employees who account for over half the local labour force.

Bread has been kept at a stable price for some time, but only by means of a heavy Government subsidy of up to 30%. In an attempt to cut its own bills and make sure that this "strategic commodity" is always available in the shops,

the Ministry of Supply is going ahead with an ambitious project to supply Amman with 11,000 loaves of bread an hour.

In 1977, for example, Jordan grew less than one fifth of its total wheat needs, and because of its shortage of milling capacity was obliged to import large quantities of flour, which is about twice the cost of wheat.

Because of this, the plan is to build a flour mill with an initial capacity of 200 tons a day, which is equivalent to about 45% of the Kingdom's present total capacity. Imported wheat will be unloaded at Aqaba on a new high-speed gantry system and then stocked in two 50,000-ton grain silos. At the end of the line in Amman two automated bakeries will turn out 190,000 loaves a day.

The overall effects of the flour mill on inflation may not be great, but it is obviously important for political reasons to give Jordanians their daily bread at a non-inflationary price. This may explain why the Ministry has

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departed from the Government's traditional liberal economic policies and intervened to carve out a near monopoly in the wholesale business for basic goods.

In readiness for this bulk buying from abroad it has recently built a series of big warehouses around the country to stock goods such as tea, sugar, flour and cooking fat. Two government-owned cold store complexes (each with a capacity of 1,500 tons and together costing JD1.2mn) are also nearing completion.

Most economists now agree, however, that Jordan can no longer blame all its ills on imported inflation, since internal factors such as the rise in wages and in the cost of agricultural products are taking effect.

For instance, the 40% increase in the cost of fruit and vegetables between 1975 and 1977 made a considerable impact on the consumer's spending power. The Government has attempted to fix prices on these products too and is hoping to squeeze the middlemen in the fruit and vegetable business. But the long term solution depends on ambitious schemes to triple the area of irrigated land in the Jordan Valley by 1983, and so relieve the pressure on demand.

Also important is the fact that wages are now rising faster than prices, mainly because of competition for labour from the Gulf states, and, for the first time, Jordan is tentatively embarking on wage controls.

A ministerial committee issues pay "guidelines" for private employers as well as the

Government, as the latter has to take care not to let the gap in wages grow too wide between its own over-large and under-paid civil service and the prosperous private sector.

The Secretary-General of the National Planning Council, Taysir Abdel-Jaber, told *The Middle East* that rises in allowances for public employees may have had a total impact of 10-15% on recurrent Government expenditure in 1977. To balance this, action was taken last year to trim the size of the civil service, but even this may not have been enough.

An alternative to pay rises is to give government employees fringe benefits and for this reason the Government is pushing forward on some big housing schemes for public sector workers. Abu Nuseir, a new town with a projected population of about 20,000 is a good example of such a scheme. The Ministry of Supply, for its part, has set up a chain of duty-free supermarkets for public employees.

In the long run, in order to relieve the inflationary demand for labour, the Government is opting for capital-intensive industries, expanding vocational training and drawing women into the wage labour market.

From the policy point of view, monetary controls and a balanced budget are likely to be more appealing to the Government than tinkering with the market. After 1976, when commercial credit grew by 60% in a single year, the Central Bank imposed tight controls. The growth in the money supply slowed down from 21% to 19%

last year and most of the credit controls (with the exception of the 15% legal reserve requirement) have been lifted again because the banks are acting more cautiously of their own accord.

Nevertheless, there is quite a lot of money in Jordan. Remittances from Jordanians abroad are sometimes estimated as high as JD400mn a year and aid has climbed to an annual level of JD120mn. The Head of the Research Department at the Central Bank, Adnan al-Hindi, believes that this is seriously inflationary, because the money cannot be absorbed quickly enough into productive projects.

Yet, at the Baghdad summit meeting in November, Arab leaders apparently agreed that Jordan, as a front-line state, should be given an average of \$1.25bn (an amount almost exactly equivalent to the country's total budget for 1978) every year for the coming decade.

A sum that size, if it materialises, may do wonders for the Eastern Front against Israel, but it is not clear what effect it will have on Jordan's inflation rate.

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MOROCCO

ENERGY AND MINES MINISTER DISCUSSES MOROCCO'S PLANS

London THE MIDDLE EAST in English Feb 79 pp 98,99

[Interview with Moussa Saadi, Minister of Energy and Mines by Robert Sheldon]

[Text] [Question]

[Question] □ Will Morocco, which is now the world's third biggest phosphate producer after the US and the USSR soon become the number one producer?

[Answer] ○ Morocco is already the world's leading exporter of phosphates. What interests us, in addition to being the number one producer, is to achieve local conversion of a large proportion of our output into processed products. It is less profitable to export the heavy raw material, rock phosphate, than converted products, such as phosphoric acid. Already Morocco processes 10-15% of production and eventually most of its output will be processed for export. We believe that only processed phosphate products will be on the market in the future.

[Question] □ The US market opened up to Morocco in 1978. Do you believe the US could one day become dependent on Morocco, in view of its own diminishing resources?

[Answer] ○ The US has great phosphate reserves, but these are either already under intensive exploitation or they are located in areas where there are environmental problems. The Soviet Union likewise has big reserves which are situated far from existing mining centres. Both countries are agricultural as well as industrial and the agricultural production depends on the use of fertilisers. So it is to the advantage of both to import phosphates from Morocco, which is relatively close to the USSR by land and the Atlantic coast of the US by sea.

You must understand that the natural fertilising element of phosphate is more important to agriculture than oil is to industry, since substitutes may be found for oil. Because of this phosphates may be considered an indispensable contributor to the world food supply. Morocco is aware of a certain responsibility in this respect and will continue trading in phosphates with all countries, including those that are industrialised and those of the Third World.

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[Question] ☐ It has been said that, in certain countries which curtailed phosphate imports from Morocco after the 1974 price rise, agriculture has not suffered. Can you comment on this?

[Answer] ☐ It would be better to ask this question of an agronomist. In my opinion, if the soil is saturated with fertilising elements it may give good results for one, two or perhaps even three years, but after that the quality of the soil will deteriorate so that it needs fertilisers again. Science has proved that the addition of phosphates is indispensable to the life of plants, as are other fertilisers such as those with a nitrogenous or potassium base.

[Question] ☐ Will an increase in the price of oil on world markets have an effect on the price of Moroccan mineral exports?

[Answer] ☐ First I should tell you that, like all countries which import most of their oil requirements from abroad, Morocco suffered the full impact of the 1973-74 price hike. This rise coincided with the rise in the price of phosphates because the rise in the price of energy necessarily affects the cost price of all products, whether raw materials or manufactured goods used in production.

As we all know, the price of oil may well increase because of increases in consumption and in the cost of extraction from new sources which are difficult to reach, such as those in the North Sea and Alaska. Despite the inconvenience to consumers, such a price rise has a beneficial effect, stimulating the search for alternative sources of energy, such as shale and other unconventional sources. When oil from bituminous schist, of which Morocco has great reserves, becomes competitive in price with natural oil, as the price of the latter increases, the world's available supply of hydrocarbons will be enlarged. To our knowledge, shale oil is the only substitute for natural oil.

[Question] ☐ King Hassan has spoken of uranium as a Moroccan resource. Is Morocco ready to start extracting uranium from phosphates?

[Answer] ☐ Uranium was first found in Moroccan phosphates in 1949. But since 1961, when the first study was made, we have faced vast economic and technological problems. Now we are solving the technological side with US help and we have watched with satisfaction the opening of the first extraction plant, built by Westinghouse in the US. Other companies, and other countries, such as France, West Germany and Spain - to mention only those nearest us - are watching the progress of this operation with equal interest.

We hope that this initial experiment will be crowned with success, for as soon as its viability is proved, Morocco can opt for the installation of a similar unit at Safi, which with the chemical complex planned for Jorf Lasfar will eventually constitute the most important phosphate complex in the world and one of the first centres for the extraction of uranium from phosphates.

As for the financial side, the first projections were made while the price of uranium was still relatively low. If this process was considered interesting and economically feasible then it is even more interesting now that the price of uranium has increased.

[Question] ☐ Will the uranium extracted from phosphate in Morocco be sold abroad or used locally?

[Answer] ☐ The phosphate-processing complex and construction of uranium extraction units will progress simultaneously. In the meantime Morocco plans to acquire its first nuclear plant and for this it will need the extracted uranium. But the uranium used in nuclear plants is enriched and is manufactured only in certain industrialised countries. So although Morocco

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[Question] will reserve a portion of its uranium production for domestic use we will be able to sell an increasing amount abroad.

[Answer] □ The Middle East reported in its November issue on the pending agreement between Morocco and Occidental Petroleum. When will this become firm?

[Question] □ Experts have confirmed favourable reports concerning the possibility of extracting shale oil by the *in situ* process. Our discussions have continued since the visit of Dr Armand Hammer (of Occidental) to Morocco last summer and we plan to finalise very soon the terms of our co-operation in this area, as well as regards exploration for gas and oil and the production of phosphoric acid from phosphates.

[Answer] □ The rise in lead prices last year was beneficial for Morocco but the slump in the world copper market led to the closure of Moroccan copper mines. What is the outlook at present in these areas?

[Question] □ Morocco has produced lead and zinc for over 50 years and now ranks among the leading producers of lead in Africa. An increase in production has resulted in the enlargement of our original lead foundry and in the construction of a new one.

For centuries Morocco has also produced copper, exporting it to Africa and Europe. Modern technology was introduced in this sector 20 years ago. In view of the recent price slump and keen competition from countries possessing richer and larger deposits, several small Moroccan mines, like those at Djebel Klakh and Bouskour, have closed.

However, a newly-discovered deposit of exceptionally high-grade mineral with copper-content ranging from 8 to 16%, is considered the largest in the Arab world and definitely merits

exploitation. The mine at Bleida in the province of Ouarzazate will open soon. Exploitation of this deposit and the opening of other mines (if the price of copper warrants it) may permit the construction of a copper foundry, in co-operation with Mauritania which itself possesses the well-known Akjoujt deposit. Such a project would fulfil both countries' desire for bilateral economic co-operation.

[Question] □ To what extent has the depression of the iron ore market influenced Moroccan production?

[Answer] □ The Nador mine, which has been worked for centuries, has the advantage of being situated next to the Mediterranean and of possessing a rich mineral with a 65% iron content, most of which can be mined on open sites. However, the cost price has increased substantially as less rich and sometimes sulphurous ore has had to be mined underground. The SEFERIF company built a pelletisation plant in collaboration with a Canadian firm in 1970 and despite the crisis in the iron market the Government has continued operations which support the population of that region. The opening of the new port at Nador, which will now admit ships of over 60,000 tons, will make possible exports to the US. Our goal at SEFERIF is to consolidate on the application of advanced technology in a national steel complex.

[Question] □ The budget for 1979 is characterised by austerity. Do you believe that private investment in the development of Morocco's natural resources will increase or will further foreign loans be necessary?

[Answer] □ Morocco has a liberal economic policy and the private sector will continue to play an important role. It has been responsible for good results in lead, manganese and cobalt pro-

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[Question] duction in the past and private investment will likewise bring about the expansion of the lead foundry at Oued el-Heimer. The company Tifnout-Tiranimine, which mines cobalt at Bou Azzer has undertaken an ambitious investment programme which will put the copper mine of Bleida in operation and install a calcination plant. The same company plans to extract the cobalt content from mining debris at Bou Azzer. This will be a profitable undertaking. In addition, the SACEM firm plans to invest in research into uses of manganese byproducts.

[Answer] ☐ What are the goals your Ministry has in mind for the three-year plan for 1978-80?  
☐ There are two priorities. Until recently Morocco sold its products as raw materials. New plans call for processing of products locally, to increase their commercial value and to increase employment in industry.

[Question] This policy will apply not only to phosphates, but to all minerals such as lead, copper and cobalt. Our second priority will be energy research, and this applies to hydrocarbons and oil shale as well as solid fuels.

[Answer] ☐ What specific areas of co-operation have been decided on with the US?  
☐ We have announced a joint agreement on co-operation in developing energy resources, such as shale oil and solar energy. Contacts have already been established in the private sector with oil companies such as Occidental, Tosco, Union Oil and with Westinghouse in the case of nuclear energy. We are also working with international agencies located in the US, such as the World Bank, with whom we have a project for rural electrification and with the US Agency for International Development, which is co-operating with us on a solar energy plant in Marrakesh. ☐

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UNITED ARAB EMIRATES

GOVERNMENT CHANGES ATTITUDE ON INDUSTRY ROLE

London THE MIDDLE EAST in English Feb 79 pp 92-93

[Text]

The image of Abu Dhabi as an open-handed disburser of often-impromptu assistance and investment at home and abroad is likely to be superseded in 1979 by a new image fostered by tighter controls.

Two schools of thought have converged to produce the change in outlook. First there is a feeling that a proportion of the money handed out to organisations abroad disappears into a kind of bottomless pit - the benefits of which, to Abu Dhabi at least, are not always immediately obvious.

The second attitude, more fundamental in its implications for the future, is voiced in a number of finance and planning quarters and concerns the feasibility of investment in industry at home.

Muhammad Habroush,

Managing Director of the Abu Dhabi Investment Authority and Chairman of Abu Dhabi's Department of Finance, says that industrialisation for its own sake was a slogan widely but sometimes mistakenly adopted in the developing world.

In the spring of 1978 the Finance, Planning and Foreign Ministers of the UAE formed a committee to re-examine all the country's shareholdings in and contributions to international and regional organisations. These range from the World Bank to the Arab Pharmaceuticals Company and contributions payable in 1978 alone amounted to Dh1,016mn (\$265mn).

The re-examination was felt to be needed because some of the Government departments concerned seemed to be only

vaguely aware of the purpose of some of the investments. Not surprisingly the committee's report, presented in November, came out in favour of much closer scrutiny of similar outgoings in future and the application wherever possible of the criterion of profitability.

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Habroush, although unwilling to admit that money has been wasted in this way in the past, does admit in conversation that, if money is to be disbursed in the form of gifts or soft loans, it should be primarily for the benefit of the UAE's close friends and neighbours in the Gulf, such as Bahrain or Oman, or for soundly based projects in developing countries.

The activities of the Abu Dhabi Fund for Arab Economic Development will not be affected since the Fund already lends only to projects considered economically sound and socially beneficial. As for individual gifts, however, these are likely to be either curtailed or channelled through ADFAED and similar bodies in future.

The UAE's ability to spend money at home improved significantly in 1978, principally because of the new realism about the country's limited capacity to absorb internal investment.

Searching questions are now being asked for the first time as to whether industry can ever play a significant role in generating income in the complete absence of both manpower and raw materials.

In part this radical reassessment is due to the stresses and strains mass immigration has imposed on local society in recent years. The newspaper *Al-Ittihad* recently revealed figures suggesting that only one worker in 18 in the UAE is a local citizen, but it was using out-of-date 1975 census statistics and the 1978 ratio is even higher.

Since 1975 many highly educated UAE nationals have taken over posts as economists and planners. These young men,

who will supply the federation's brain-power for the next decade, do not wish to be outnumbered 18 to one in their own country indefinitely. In fact, historians of the UAE looking back on the 1970s may well wonder not why industrialisation was so slow and incomplete but why the idea was ever toyed with in the first place, given the social cost.

For the present, however, the rethink on industry is restricted to higher planning circles and has not percolated through fully to the merchant community or the National Assembly. Moreover, petrochemical industries are specifically excluded from the new line of thought, as the raw material is present in abundance.

The Ruwais petrochemical plants are going ahead and the latter half of 1978 even saw the normally slow-moving Abu Dhabi National Oil Company award so many contracts in this sphere that Abu Dhabi regained the atmosphere of a minor "boom", in some ways reminiscent of 1975 and 1976.

The concept of industry has not been abandoned completely, therefore; it is a question simply of becoming more "choosy", to use Habroush's phrase.

Although the size of ADIA's portfolio is a very closely guarded secret it has become clear to bankers since mid-1978 that the Authority is receiving ever greater sums for placement.

ADIA's portfolio is valued periodically like that of any other investor, and Habroush says its performance is "not bad". With its special responsibility for the country's future wealth ADIA's attitude will inevitably become more crucial, which, since ADIA is concerned solely with the "bottom line" of the balance sheet, means a halt to the more fanciful projects.

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